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Correct answers are marked with an asterisk (*).

Type: multiple choice question
Title: Chapter 02 - Question 01
1) Globalization of production generally provides opportunities for firms to.....
a. access lower cost resources
Feedback: With globalization firms are likely to enjoy both access to lower cost resources and improved quality (access to specialist suppliers). Times to market could increase if more distant or remote locations are used.
Page reference: 25
b. improve product quality
Feedback: With globalization firms are likely to enjoy both access to lower cost resources and improved quality (access to specialist suppliers). Times to market could increase if more distant or remote locations are used.
Page reference: 25
c. reduce lead times to markets
Feedback: With globalization firms are likely to enjoy both access to lower cost resources and improved quality (access to specialist suppliers). Times to market could increase if more distant or remote locations are used.
Page reference: 25
***d.** Both a and b
Feedback: With globalization firms are likely to enjoy both access to lower cost resources and improved quality (access to specialist suppliers). Times to market could increase if more distant or remote locations are used.
Page reference: 25

Type: multiple choice question
Title: Chapter 02 - Question 02
2) A firm invests in the experience of its management by involving them in cross-national project teams. Internal research shows that this increases productivity and employee retention. As a result the firm has created...
a. a country-specific advantage
Feedback: Investment by the firm in a proprietary advantage (unique to that single firm) creates a firm-specific advantage.
Page reference: 24
***b.** a firm-specific advantage
Feedback: Investment by the firm in a proprietary advantage (unique to that single firm) creates a firm-specific advantage.
Page reference: 24
c. a transaction-specific advantage
Feedback: Investment by the firm in a proprietary advantage (unique to that single firm) creates a firm-specific advantage.
Page reference: 24
d. a location-specific advantage
Feedback: Investment by the firm in a proprietary advantage (unique to that single firm) creates a firm-specific advantage.
Page reference: 24

Type: multiple choice question
Title: Chapter 02 - Question 03
3) ..... does **not** contribute to the globalization of production?
***a.** New applications for social media
Feedback: New applications for social media does not contribute to globalization, all the other factors do.
Page reference: 28
b. Firms from developed markets

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Feedback: New applications for social media does not contribute to globalization, all the other factors do.
Page reference: 28
c. Firms from emerging markets
Feedback: New applications for social media does not contribute to globalization, all the other factors do.
Page reference: 28
d. The rapid adoption of e-commerce
Feedback: New applications for social media does not contribute to globalization, all the other factors do.
Page reference: 28

Type: true-false
Title: Chapter 02 - Question 04
4) MNEs act as an instrument increasing the effective utilization of the world's resources
***a.** True
Feedback: Because MNEs undertake a high level of specialization and are profit seeking organizations they are likely to ensure an effective utilization of resources. The sharing of those efficiencies is a totally different matter.
Page reference: 35
b. False
Feedback: Because MNEs undertake a high level of specialization and are profit seeking organizations they are likely to ensure an effective utilization of resources. The sharing of those efficiencies is a totally different matter.
Page reference: 35

Type: multiple choice question
Title: Chapter 02 - Question 05
5) Legal systems are important for business because ...
a. they help define how business transactions are executed
Feedback: Legal systems are a market-supporting institution that perform all three of the functions listed here
Page reference: 32
b. they clarify the rights and obligations of parties involved in business transactions
Feedback: Legal systems are a market-supporting institution that perform all three of the functions listed here
Page reference: 32
c. they provide a mechanism for enforcing contracts
Feedback: Legal systems are a market-supporting institution that perform all three of the functions listed here
Page reference: 32
***d.** All of the above
Feedback: Legal systems are a market-supporting institution that perform all three of the functions listed here
Page reference: 32

Type: true-false
Title: Chapter 02 - Question 06
6) International business activities are primarily carried out by individual companies.
***a.** True
Feedback: While there are many different types of organization involved in international business, including conglomerate firms, the majority of international business activities are undertaken by individual firms.
Page reference: 23
b. False

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Feedback: While there are many different types of organization involved in international business, including conglomerate firms, the majority of international business activities are undertaken by individual firms.
Page reference: 23

Type: multiple choice question
Title: Chapter 02 - Question 07
7) Firm-, or ownership specific advantages ...
a. are always based on natural resources
Feedback: Ownership advantagesare always proprietary or unique to a single firm. Clearly b is wrong and a and d may be true in some cases, but c is always the case.
Page reference: 26
b. can also be present within competitor firms
Feedback: Ownership advantagesare always proprietary or unique to a single firm. Clearly b is wrong and a and d may be true in some cases, but c is always the case.
Page reference: 26
***c.** are always a proprietary capability of the firm
Feedback: Ownership advantagesare always proprietary or unique to a single firm. Clearly b is wrong and a and d may be true in some cases, but c is always the case.
Page reference: 26
d. are always the result of government favouritism
Feedback: Ownership advantagesare always proprietary or unique to a single firm. Clearly b is wrong and a and d may be true in some cases, but c is always the case.
Page reference: 26

Type: true-false
Title: Chapter 02 - Question 08
8) By utilizing an international pool of suppliers, multinational enterprises are able to lower production costs.
***a.** True
Feedback: The statement is likely to be true because specialist suppliers may have access to lower cost resources, greater scale, or innovative technology. If they did not offer a cost advantage the buyer is likely to undertake the activity itself (internalize it).
Page reference: 35
b. False
Feedback: The statement is likely to be true because specialist suppliers may have access to lower cost resources, greater scale, or innovative technology. If they did not offer a cost advantage the buyer is likely to undertake the activity itself (internalize it).
Page reference: 35

Type: true-false
Title: Chapter 02 - Question 09
9) Opportunity cost is measured as the most attractive alternative given up when a choice is made.
***a.** True
Feedback: The statement is a precise definition of the concept of opportunity cost as the next best alternative foregone.
Page reference: 26
b. False
Feedback: The statement is a precise definition of the concept of opportunity cost as the next best alternative foregone.
Page reference: 26

Type: true-false
Title: Chapter 02 - Question 10
10) Intellectual property is property that is the product of intellectual activity.
***a.** True

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Feedback: The statement is true as intellectual property is the result of applied intellectual activity such as creativity.
Page reference: 25
b. False
Feedback: The statement is true as intellectual property is the result of applied intellectual activity such as creativity.
Page reference: 25

Type: true-false
Title: Chapter 02 - Question 11
11) Location advantages are the set of strengths characterizing a specific location and usable by firms operating in that location.
***a.** True
Feedback: Location advantages are those advantages linked to a particular location and available to all firms operating there. An example is Kenya's climate which makes it suitable for producing coffee.
Page reference: 28
b. False
Feedback: Location advantages are those advantages linked to a particular location and available to all firms operating there. An example is Kenya's climate which makes it suitable for producing coffee.
Page reference: 28

Type: true-false
Title: Chapter 02 - Question 12
12) Property rights can be defined as legal rights over the use of a resource and any income generated by that resource.
***a.** True
Feedback: This is a correct and precise definition of the economic meaning of property rights.
Page reference: 25
b. False
Feedback: This is a correct and precise definition of the economic meaning of property rights.
Page reference: 25

Type: true-false
Title: Chapter 02 - Question 13
13) Countries that invest in education create a country specific advantage because the workforce is more productive.
***a.** True
Feedback: National investment in productivity enhancing education is a country-specific advantage available to all firms in that country
Page reference: 32
b. False
Feedback: National investment in productivity enhancing education is a country-specific advantage available to all firms in that country
Page reference: 32

Type: true-false
Title: Chapter 02 - Question 14
14) Internationalization is a one-dimensional concept.
a. True
Feedback: The statement is false since there are many different measures of internationalization including number of countries entered, importance of foreign sales as a percentage of total sales etc.
Page reference: 29
***b.** False
Feedback: The statement is false since there are many different measures of internationalization including number of countries entered, importance of foreign sales as a percentage of total sales etc.
Page reference: 29

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Type: true-false
Title: Chapter 02 - Question 15
15) A global factory will pursue internalization where market inefficiencies result in unacceptably high transactions costs.
***a.** True
Feedback: True, high costs of using markets encourages the firm to bypass the market by internalising transactions. This creates a multinational enterprise when those transactions cross borders.
Page reference: 48
b. False
Feedback: True, high costs of using markets encourages the firm to bypass the market by internalising transactions. This creates a multinational enterprise when those transactions cross borders.
Page reference: 48

Type: true-false
Title: Chapter 02 - Question 16
16) Offshoring involves the transfer of economic activities abroad.
***a.** True
Feedback: The statement is correct as offshoring means taking overseas. The activities may be outsourced or retained within affiliates of the investing firm.
Page reference: 37
b. False
Feedback: The statement is correct as offshoring means taking overseas. The activities may be outsourced or retained within affiliates of the investing firm.
Page reference: 37

Type: true-false
Title: Chapter 02 - Question 17
17) Globalization results in a greater degree of homogeneity across markets than would be present otherwise.
***a.** True
Feedback: The statement is likely to be true because globalization encourages the diffusion and adoption of a number of processes and behaviours, encouraging increased homogeneity. However, huge differences persist, particularly within areas such as national culture and buyer behaviour.
Page reference: 36
b. False
Feedback: The statement is likely to be true because globalization encourages the diffusion and adoption of a number of processes and behaviours, encouraging increased homogeneity. However, huge differences persist, particularly within areas such as national culture and buyer behaviour.
Page reference: 36

Type: true-false
Title: Chapter 02 - Question 18
18) A global supply chain comprises the interrelated organizations, resources, and processes that create and deliver products and services to end customers.
***a.** True
Feedback: This is a correct definition of what is meant by a global supply chain.
Page reference: 37
b. False
Feedback: This is a correct definition of what is meant by a global supply chain.
Page reference: 37

Type: true-false
Title: Chapter 02 - Question 19
19) Knowledge spillovers are considered externalities
***a.** True

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Feedback: Investments in knowledge creation (for example by R&D) by one party create knowledge spillovers with positive externality effects when such knowledge can be captured by others at no cost.
Page reference: 42
b. False
Feedback: Investments in knowledge creation (for example by R&D) by one party create knowledge spillovers with positive externality effects when such knowledge can be captured by others at no cost.
Page reference: 42

Type: true-false
Title: Chapter 02 - Question 20
20) The difference between the resource based view of the firm and the capabilities view is that the former is static while the latter is dynamic
***a.** True
Feedback: The statement is true since the capabilities view was developed by Teece to provide a dynamic perspective which overcame the static limitations of the resource based view.
Page reference: 25–6
b. False
Feedback: The statement is true since the capabilities view was developed by Teece to provide a dynamic perspective which overcame the static limitations of the resource based view.
Page reference: 25–6

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